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C O N F I D E N T I A L SECTION 01 OF 02 FRANKFURT 000732

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TAGS: [EFIN](#) [ECON](#) [EINV](#) [ETRD](#) [GM](#)  
SUBJECT: TREASURY DEPUTY SECRETARY KIMMITT MEETS  
COMMERZBANK CEO

Classified By: EconCouns Douglas Neumann for Reasons 1.4(b) and (d)

¶1. (C) At a meeting with Commerzbank CEO Klaus-Peter Mueller and board member Martin Blessing on February 12, Treasury Deputy Secretary Robert Kimmitt discussed implementation of UNSCR 1737 and the need for banks to know their customers<sup>8</sup> in Iran. Mueller outlined Commerzbank actions to comply with sanctions on Iran and the alarmed response of the Iranians. Kimmitt relayed to the bankers information about an alleged Commerzbank transaction involving North Korea and Syria, which Mueller promised to look into. The meeting ended with Kimmitt and Mueller sharing views on aligning accounting standards, Doha and Basel II, with the German banker noting that the business community was putting heavy pressure on the German government to play a greater role in bringing Doha to a successful end.

Cutting Business with Iran  
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¶2. (C) Treasury Deputy Secretary Kimmitt thanked Mueller for the cooperation of Commerzbank on terrorism finance issues. He noted that Treasury was in contact with banks globally on doing business in Iran with the message that it is almost impossible when dealing with institutions in that country to know your customer.<sup>8</sup> He was pleased with progress on EU implementation of UNSCR 1737, especially with regard to encouraging the Europeans to move beyond the strict letter of the resolution. Mueller hoped that EU implementation of sanctions on Iran would make it easier for banks operating across borders to deal with a more consistent international regime.

¶3. (C) Mueller noted the importance of sharing information about entities involved in terrorist or nonproliferation activities. Commerzbank has sought to cut off any business that meets the criteria of UNSCR 1737 but could act more effectively if the USG would quickly share information it receives. He is still uneasy about Commerzbank business in Iran, but he is also uneasy about business in a number of other countries. He complained about the portrayal of Commerzbank by the Wall Street Journal which made it appear that the bank were trying to evade sanctions on Iran. This is far from the case. Kimmitt acknowledged the importance of close collaboration and promised to work toward sharing information more expeditiously.

¶4. (C) Mueller said that Commerzbank gave the Iranians eight weeks warning that it was suspending its clearing business, much less time than other banks had given them. The Iranian ambassador tried to make an appointment to see him but he refused. Mueller had his government relations people tell the ambassador that the Iranians had not treated the bank fairly. Mueller had told the Iranians numerous times that they would have to treat Commerzbank in an above-board

fashion for the bank to continue doing business with the government, so he felt no special compunction to explain things directly to the ambassador; last year Mueller warned the Iranian World Bank Vice President that his country would have to stay out of political trouble. Mueller noted that one transaction had especially raised his suspicions in which funds intended for Bank Saderat were diverted to a third party. Commerzbank notified Saderat of the diversion, which the Iranian bank then claimed was a mistake.

North Korea  
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15. (C) Deputy Secretary Kimmitt noted that the EU had been slow in implementing UNSCRs 1695 and 1718, which set out clear obligations on sanctions against North Korea. He understood that an issue had come up with how the resolutions would be enforced in Gibraltar, delaying action. However, on the margins of the Munich Security Conference, he had heard that the issue had been resolved and sanctions could move forward. Kimmitt then relayed information about alleged Commerzbank activity involving a North Korean entity, that Commerzbank had served as an intermediary between the Korea Mining Development Corporation and Syria's Scientific Studies Research Center and noted that both entities had been designated under Executive Order 13382. Mueller was unaware of any involvement with either entity and promised to investigate. Board member Blessing requested clarification of the Executive Order and the UNSC resolution it was implementing. Kimmitt promised that he would provide Commerzbank with a compendium of all authorities, executive orders and laws, and related UNSC resolutions, under which the U.S. is working to combat terrorism finance and nonproliferation.

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Accounting Standards, Doha, Basel II  
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16. (U) Mueller asked Kimmitt about the prognosis toward aligning accounting standards in the U.S. and Europe, noting that having to deal with both GAAP and IFRS substantially raised the cost of doing transatlantic business. Kimmitt replied that the Financial Markets Regulatory Dialogue had made a lot of progress although a great deal of work remained to be done. Treasury will host a capital markets competitiveness conference in March to which it will invite European representatives; Kimmitt expected this to be a venue for discussion of accounting issues as well.

17. (U) Mueller highlighted the importance of a successful resolution of the Doha Round. He noted that the business community has been pressuring the German government to play a more active role. Deputy Secretary Kimmitt replied that the U.S. accords top priority to concluding Doha but that the window for concrete progress is tight. The U.S. and the EU need an understanding on agriculture as early as possible so that an agreement can be worked out with the emerging economies on other sectors such as services. He thinks the willingness for agreement is there, but a way must be found for all parties to come forward with their bottom-line positions at the same time. With coming changes in leadership in France and the United Kingdom, Chancellor Merkel's involvement is critical.

18. (U) Commerzbank is implementing the Basel II capital sufficiency requirements, Mueller noted. He hoped the U.S. would make its intentions clearer about implementing Basel 2. It was important for banks to operate on a level playing field. Deputy Secretary Kimmitt replied that implementation in the U.S. was complicated by the involvement of four regulatory agencies, but he was hopeful that any problems could be worked out.

¶9. (U) Mueller ended the meeting by noting that the negative experience of entering the U.S. was harmful to business. Although he traveled frequently to the U.S., he was recently pulled into secondary because he had failed to return a departure slip on a previous visit. Kimmitt acknowledged that he heard such complaints often from foreign businessmen.

¶10. (U) Deputy Secretary Kimmitt has cleared this message.  
POWELL